

**TOWNSHIP OF CLIMAX
KALAMAZOO COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

YEAR ENDED MARCH 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Climax	County Kalamazoo
Audit Date 3/31/05	Opinion Date 9/13/05	Date Accountant Report Submitted to State: 12/14/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

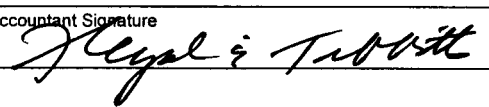
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Flegal & Tibbitts, CPAs			
Street Address 2750 Old Centre, Suite 150	City Portage	State MI	ZIP 49024
Accountant Signature 		Date 12/12/05	

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	3
BASIC FINANCIAL STATEMENTS	
Government-wide financial statement:	
Statement of net assets	5
Statement of activities	6
Fund financial statements:	
Balance sheet - governmental funds	7
Statement of revenues, expenditures, and changes in fund balances - governmental funds	8-9
Statement of fiduciary net assets - agency funds	10
Notes to financial statements	11-17
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General fund	19-20
Street light fund	21
Roads fund	22

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Climax, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Climax, Michigan, as of March 31, 2005, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Climax, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

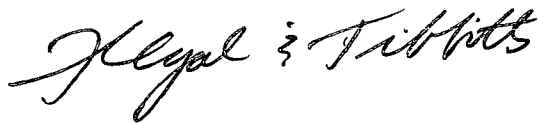
We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Climax, Michigan, as of March 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in the footnotes, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of April 1, 2004.

The budgetary comparison information on pages 19 through 22, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Climax, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Climax, Michigan's, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



September 13, 2005

The Waters Edge, Second Floor
5930 Lovers Lane
Portage, Michigan 49002
Phone (269) 383-1900

202 Trowbridge Street
Allegan, Michigan 49010
Phone (269) 673-2222

BASIC FINANCIAL STATEMENTS

**TOWNSHIP OF CLIMAX
STATEMENT OF NET ASSETS
MARCH 31, 2005**

	GOVERNMENTAL ACTIVITIES
ASSETS	
CASH AND EQUIVALENTS	\$ 334,240
TAXES RECEIVABLE	12,022
DUE FROM FIDUCIARY	58
DUE FROM OTHER GOVERNMENTS	17,195
	<u>\$ 363,515</u>
 CAPITAL ASSETS:	
LAND, IMPROVEMENTS, AND CONSTRUCTION IN PROGRESS	\$ 178,121
OTHER CAPITAL ASSETS, NET OF DEPRECIATION	164,756
TOTAL CAPITAL ASSETS	<u>\$ 342,877</u>
 TOTAL ASSETS	 <u>\$ 706,392</u>
 LIABILITIES	
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 5,313
LONG TERM LIABILITIES:	
DUE WITHIN ONE YEAR	32,000
DUE IN MORE THAN ONE YEAR	199,605
	<u>236,918</u>
 TOTAL LIABILITIES	 <u>\$ 236,918</u>
 NET ASSETS	
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	\$ 111,272
UNRESTRICTED	358,202
	<u>358,202</u>
 TOTAL NET ASSETS	 <u><u>\$ 469,474</u></u>

See accompanying notes to basic financial statements

**TOWNSHIP OF CLIMAX
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2005**

FUNCTIONS/PROGRAMS	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS</u>
GOVERNMENTAL ACTIVITIES:				
LEGISLATIVE	\$ 639			(639)
GENERAL GOVERNMENT	151,198	550	4,695	(145,953)
PUBLIC SAFETY	51,611			(51,611)
PUBLIC WORKS	273			(273)
COMMUNITY AND ECONOMIC DEVELOPMENT	6,004			(6,004)
CAPITAL OUTLAY	89,419			(89,419)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 299,144	550	4,695	(293,899)
GENERAL REVENUES:				
TAXES				\$ 204,448
ADMINISTRATIVE FEE INCOME				19,997
LICENSES AND PERMITS				39
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAM				108,334
UNRESTRICTED INVESTMENT EARNINGS				2,209
MISCELLANEOUS				1,589
TOTAL GENERAL REVENUE				\$ 336,616
CHANGE IN NET ASSETS				\$ 42,717
NET ASSETS - BEGINNING				426,757
NET ASSETS - ENDING				\$ 469,474

See accompanying notes to basic financial statements

**TOWNSHIP OF CLIMAX
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2005**

	<u>GENERAL</u>	<u>ROADS</u>	<u>STREET LIGHTS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
CASH	\$ 234,841	97,172	2,227	334,240
TAXES RECEIVABLE	5,477	6,415	130	12,022
DUE FROM OTHER FUNDS	58			58
DUE FROM OTHER GOVERNMENTAL UNITS	17,195			17,195
TOTAL ASSETS	<u>\$ 257,571</u>	<u>103,587</u>	<u>2,357</u>	<u>363,515</u>
LIABILITIES AND FUND BALANCES				
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 5,313			5,313
TOTAL LIABILITIES	<u>\$ 5,313</u>			<u>5,313</u>
FUND BALANCES				
UNRESERVED, UNDESIGNATED	\$ 252,258	103,587	2,357	358,202
TOTAL FUND BALANCES	<u>\$ 252,258</u>	<u>103,587</u>	<u>2,357</u>	<u>358,202</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 257,571</u>	<u>103,587</u>	<u>2,357</u>	

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:

CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT
FINANCIAL RESOURCES AND THEREFORE ARE NOT REPORTED IN THE
FUNDS

342,877

SOME LIABILITIES ARE NOT DUE AND PAYABLE IN THE CURRENT
PERIOD AND THEREFORE ARE NOT REPORTED IN THE FUNDS

(231,605)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 469,474

See accompanying notes to basic financial statements

TOWNSHIP OF CLIMAX
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2005

	<u>GENERAL</u>	<u>ROADS</u>	<u>STREET LIGHTS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
TAXES AND ADMINISTRATIVE FEE INCOME	\$ 95,202	\$ 104,303	\$ 1,056	\$ 200,561
LICENSES AND PERMITS	39			39
STATE GRANTS	108,334	1,089		109,423
FIRE PROTECTION SERVICES ASSESSMENT	24,326			24,326
CHARGES FOR SERVICES	570	338		908
INTEREST	1,871			1,871
OTHER	4,734			4,734
TOTAL REVENUES	<u>\$ 235,076</u>	<u>105,730</u>	<u>1,056</u>	<u>341,862</u>
EXPENDITURES				
CURRENT:				
LEGISLATIVE	\$ 639			639
GENERAL GOVERNMENT	138,844		1,764	140,608
PUBLIC SAFETY	49,301	2,310		51,611
PUBLIC WORKS	273			273
COMMUNITY AND ECONOMIC DEVELOPMENT	6,004			6,004
CAPITAL OUTLAY	288,499	83,554		372,053
TOTAL EXPENDITURES	<u>\$ 483,560</u>	<u>85,864</u>	<u>1,764</u>	<u>571,188</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (248,484)</u>	<u>19,866</u>	<u>(708)</u>	<u>(229,326)</u>
OTHER FINANCING SOURCES (USES)				
LOAN PROCEEDS	\$ 231,605			231,605
OPERATING TRANSFER IN		9,932	49	9,981
OPERATING TRANSFER OUT	(9,981)			(9,981)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 221,624</u>	<u>9,932</u>	<u>49</u>	<u>231,605</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ (26,860)</u>	<u>29,798</u>	<u>(659)</u>	<u>2,279</u>
FUND BALANCE - BEGINNING OF YEAR	<u>279,118</u>	<u>73,789</u>	<u>3,016</u>	<u>355,923</u>
FUND BALANCE - END OF YEAR	<u>\$ 252,258</u>	<u>103,587</u>	<u>2,357</u>	<u>358,202</u>

See accompanying notes to basic financial statements

**TOWNSHIP OF CLIMAX
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2005**

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS

\$ 2,279

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.

282,633

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.

(10,590)

Long term debt (i.e. loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Loan proceeds

(231,605)

CHANGE IN NET ASSETS OF GOVERNMENTAL NET ASSETS

\$ 42,717

See accompanying notes to basic financial statements

**TOWNSHIP OF CLIMAX
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
MARCH 31, 2005**

	AGENCY FUNDS
ASSETS	
CASH AND EQUIVALENTS	\$ 953
TOTAL ASSETS	<u>\$ 953</u>
LIABILITIES	
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 113
DUE TO GOVERNMENTAL FUNDS	58
DUE TO OTHER GOVERNMENTS UNITS	<u>782</u>
TOTAL LIABILITIES	<u>\$ 953</u>

See accompanying notes to basic financial statements

**TOWNSHIP OF CLIMAX
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR MARCH 31, 2005**

SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

The accounting policies of the Township of Climax, Michigan (the Township), conform to U.S. generally accepted accounting principles as applicable to governments (hereinafter referred to as generally accepted accounting principles). The following is a summary of the more significant policies.

FINANCIAL REPORTING ENTITY

The Township basic financial statements include the accounts of all Township operations. The Township has no component units based on the criteria set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**TOWNSHIP OF CLIMAX
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR MARCH 31, 2005**

SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgements are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

General fund is the main operating fund of the Township. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund.

Street light fund accounts for street light expenditures, which are financed through special assessments.

Road fund accounts for road maintenance and repairs expenditures, which are financed through special assessments.

Fire fund accounts for the fire equipment and building expenditures, which are financed through a special millage.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the Government-Wide Financial Statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

The Township reports two fiduciary funds, its tax collection and agency funds, which account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**TOWNSHIP OF CLIMAX
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR MARCH 31, 2005**

SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (i.e. roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,500 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Office equipment	5-10 years
Vehicles	5-7 years
Fire equipment	5-7 years

Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside third parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**TOWNSHIP OF CLIMAX
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR MARCH 31, 2005**

SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township had no significant budget variations.

CASH

The Township's cash is as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Total</u>
Cash	\$ <u>334,240</u>	<u>953</u>	<u>335,193</u>

Deposits are carried at cost and are maintained at one financial institution in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with the statutory authority. At March 31, 2005, the Township has a bank balance of \$335,512. Of the bank balance, \$100,000 is covered by the federal depository insurance and \$235,512 is uninsured.

**TOWNSHIP OF CLIMAX
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR MARCH 31, 2005**

RECEIVABLES

Receivables as of year end for the Township's individual major and nonmajor funds, in the aggregate are as follows:

	<u>Taxes</u>	<u>Assessments</u>	<u>Governmental</u>	<u>Total</u>
General fund	\$ 5,477		17,195	22,672
Street light fund		130		130
Roads fund		6,415		6,415
	<u>\$ 5,477</u>	<u>6,545</u>	<u>17,195</u>	<u>29,217</u>

All receivables are considered fully collectible.

CAPITAL ASSETS

Other capital asset activity for the year ended March 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities - Capital assets being depreciated:				
Buildings and improvements	\$ 23,420			23,420
Office equipment	34,175		(28,173)	6,002
Vehicles	114,986			114,986
Fire equipment	112,564	134,040		246,604
Subtotal	<u>\$ 285,145</u>	<u>134,040</u>	<u>(28,173)</u>	<u>391,012</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ (23,420)			(23,420)
Office equipment	(29,999)	(1,200)	28,173	(3,026)
Vehicles	(110,700)	(1,429)		(112,129)
Fire equipment	(79,720)	(7,961)		(87,681)
Subtotal	<u>\$ (243,839)</u>	<u>(10,590)</u>	<u>28,173</u>	<u>(226,256)</u>
Governmental Activities Capital assets (net)	<u>\$ 41,306</u>	<u>123,450</u>		<u>164,756</u>

**TOWNSHIP OF CLIMAX
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR MARCH 31, 2005**

CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the township as follows:

Governmental Activities:

General government	\$ <u>10,590</u>
--------------------	------------------

LONG-TERM LIABILITIES

Long-term debt at March 31, 2005, is comprised of the following issues:

Fire equipment note payable original issue amount of \$110,000; dated February 2005; issued by Sturgis Bank and Trust; secured by fire millage revenue; interest rate of 5.6% with final maturity dated December 2013.

Fire hall note payable original issue amount of \$121,604; dated December 2004; issued by Sturgis Bank and Trust; secured by fire millage revenues; interest rate of 5.6% with final maturity dated December 2013.

Debt service requirements at March 31, 2005, were as follows:

<u>Year ended March 31,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 32,000	12,970
2007	32,000	11,900
2008	32,000	10,775
2009	32,000	9,590
2010	32,000	8,335
2011-2013	<u>71,605</u>	<u>19,325</u>
Total	<u>\$ 231,605</u>	<u>72,895</u>

**TOWNSHIP OF CLIMAX
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR MARCH 31, 2005**

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At March 31, 2005, the composition of interfund balances are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 58	
Agency fund		\$ 53
Tax collection		5
		<u>\$ 58</u>

RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

CHANGE IN ACCOUNTING PRINCIPLES

Effective April 1, 2004, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change:

Net assets as previously reported governmental	\$ 670,596
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds	<u>(243,839)</u>
Net assets, as restated	<u>\$ 426,757</u>

REQUIRED SUPPLEMENTARY INFORMATION

**TOWNSHIP OF CLIMAX
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>GAAP BASIS</u>	<u>FAVORABLE (UNFAVORABLE)</u>
REVENUES				
TAXES:				
CURRENT PROPERTY TAXES	\$ 69,259	69,259	74,763	5,504
TAX COLLECTION FEES	20,908	20,908	19,997	(911)
TRAILER PARK FEES	450	450	442	(8)
TOTAL TAXES	<u>\$ 90,617</u>	<u>90,617</u>	<u>95,202</u>	<u>4,585</u>
LICENSES AND PERMITS	<u>\$ 100</u>	<u>100</u>	<u>39</u>	<u>(61)</u>
STATE GRANTS	<u>\$ 112,985</u>	<u>112,985</u>	<u>108,334</u>	<u>(4,651)</u>
CONTRIBUTIONS FROM LOCAL GOVERNMENTS:				
FIRE PROTECTION SERVICES	<u>\$</u>	<u></u>	<u>24,326</u>	<u>24,326</u>
CHARGES FOR SERVICES:				
LAND DIVISION/SPLITS	\$ 500	500	550	50
CEMETARY LOT SALES	1,200	1,200	20	(1,180)
TOTAL CHARGES FOR SERVICES	<u>\$ 1,700</u>	<u>1,700</u>	<u>570</u>	<u>(1,130)</u>
INTEREST	<u>\$ 2,500</u>	<u>2,500</u>	<u>1,871</u>	<u>(629)</u>
OTHER	<u>\$ 1,500</u>	<u>1,500</u>	<u>4,734</u>	<u>3,234</u>
TOTAL REVENUES	<u>\$ 209,402</u>	<u>209,402</u>	<u>235,076</u>	<u>25,674</u>
EXPENDITURES				
LEGISLATIVE - TOWNSHIP BOARD	<u>\$ 1,200</u>	<u>1,200</u>	<u>639</u>	<u>561</u>
GENERAL GOVERNMENT:				
SUPERVISOR	\$ 9,210	9,210	8,241	969
ELECTIONS	6,700	6,700	5,789	911
ASSESSOR	14,220	14,220	14,084	136
CLERK	13,020	13,020	15,426	(2,406)
TREASURER	11,320	11,320	14,048	(2,728)
HALL AND GROUNDS	13,100	13,100	12,367	733
CEMETERY	10,000	10,000	11,740	(1,740)
GENERAL ADMINISTRATION	60,050	60,050	57,149	2,901
TOTAL GENERAL GOVERNMENT	<u>\$ 137,620</u>	<u>137,620</u>	<u>138,844</u>	<u>(1,224)</u>

**TOWNSHIP OF CLIMAX
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>GAAP BASIS</u>	<u>FAVORABLE (UNFAVORABLE)</u>
PUBLIC SAFETY:				
FIRE PROTECTION	\$ 46,000	46,000	47,801	(1,801)
ORDINANCE ENFORCEMENT	1,650	1,650	1,500	150
TOTAL PUBLIC SAFETY	<u>\$ 47,650</u>	<u>47,650</u>	<u>49,301</u>	<u>(1,651)</u>
PUBLIC WORKS - RECYCLING	<u>\$ 1,050</u>	<u>1,050</u>	<u>273</u>	<u>777</u>
COMMUNITY AND ECONOMIC DEVELOPMENT:				
PLANNING AND ZONING ADMINISTRATION	<u>\$ 6,150</u>	<u>6,150</u>	<u>6,004</u>	<u>146</u>
CAPITAL OUTLAY	<u>\$ 219,202</u>	<u>219,202</u>	<u>288,499</u>	<u>(69,297)</u>
TOTAL EXPENDITURES	<u>\$ 412,872</u>	<u>412,872</u>	<u>483,560</u>	<u>(70,688)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (203,470)</u>	<u>(203,470)</u>	<u>(248,484)</u>	<u>(45,014)</u>
OTHER FINANCING SOURCES (USES)				
LOAN PROCEEDS	\$ 211,402	211,402	231,605	20,203
OPERATING TRANSFER TO ROAD FUND	(13,938)	(13,938)	(9,981)	3,957
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 197,464</u>	<u>197,464</u>	<u>221,624</u>	<u>24,160</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ (6,006)</u>	<u>(6,006)</u>	<u>(26,860)</u>	<u>(20,854)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>279,118</u>	<u>279,118</u>	<u>279,118</u>	
FUND BALANCE - END OF YEAR	<u><u>\$ 273,112</u></u>	<u><u>273,112</u></u>	<u><u>252,258</u></u>	<u><u>(20,854)</u></u>

**TOWNSHIP OF CLIMAX
STREET LIGHT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2005**

BUDGETED AMOUNTS

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL GAAP BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
TAXES	\$ _____	_____	1,056	1,056
TOTAL REVENUES	\$ _____	_____	1,056	1,056
EXPENDITURES				
GENERAL GOVERNMENT	\$ _____	_____	1,764	(1,764)
TOTAL EXPENDITURES	\$ _____	_____	1,764	(1,764)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ _____	_____	(708)	(708)
OTHER FINANCING SOURCES (USES):				
OPERATING TRANSFER FROM OTHER FUNDS	_____	_____	49	49
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ _____	_____	(659)	(659)
FUND BALANCE - BEGINNING OF YEAR	_____	_____	3,016	3,016
FUND BALANCE - END OF YEAR	<u>\$ _____</u>	<u>_____</u>	<u>2,357</u>	<u>2,357</u>

**TOWNSHIP OF CLIMAX
ROADS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL GAAP BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
TAXES	\$		104,303	104,303
GRANTS AND CONTRIBUTIONS			1,089	1,089
INVESTMENT EARNINGS			338	338
TOTAL REVENUES	\$		105,730	105,730
EXPENDITURES				
PUBLIC SAFETY	\$		2,310	(2,310)
CAPITAL OUTLAY			83,554	(83,554)
TOTAL EXPENDITURES	\$		85,864	(85,864)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$		19,866	19,866
OTHER FINANCING SOURCES (USES)				
OPERATING TRANSFER FROM OTHER FUNDS			9,932	9,932
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$		29,798	29,798
FUND BALANCE - BEGINNING OF YEAR			73,789	73,789
FUND BALANCE - END OF YEAR	\$		103,587	103,587